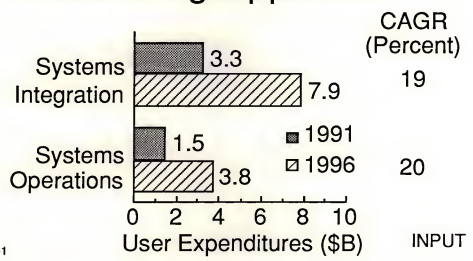
Western Europe

Outsourcing Opportunities



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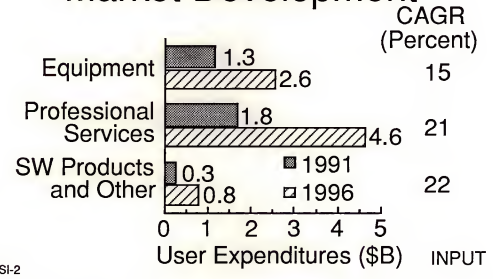
Systems Integration, Western Europe

Market Development



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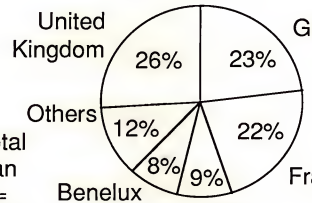
Systems Integration, Western Europe

Country Markets, 1991



1991 Total European Market = $3.3 Billion

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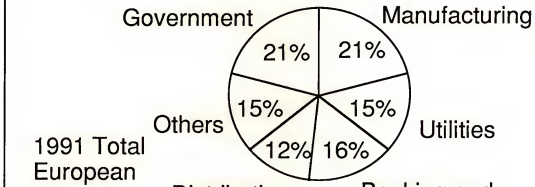
Systems Integration, Western Europe

Industry Markets, 1991



1991 Total European Market = $3.3 Billion

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Systems Integration, Western Europe

Leading Vendors, 1990

Company	Market Share (%)	Estimated Rev. ($ M)
CAP Gemini Sogeti	12	330
IBM	11	320
Andersen	11	300
Siemens	4	110

INPUT

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Notes

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Systems Integration, Western Europe

Major Projects

Project	Value ($M)
European Nervous System	500
U.K. RAF Logistics	800

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Systems Integration, Western Europe

Major Projects

Project	Value ($M)
Grossversandhaus Warehousing	140
Electricité de France Control Centre	70

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Systems Integration, Western Europe

Andersen Consulting: Projects

- Paris Bourse
- Swiss Stock Exchange
- U.K. Department of Social Security
- Amadeus Comms

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Systems Integration, Western Europe

CAP Gemini Sogeti: Projects

France Telecom	Electronic phone directory
Electricité de France	Control Centre
Commerzbank	Real-time banking

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Systems Integration, Western Europe

Market Drivers

- Need for interoperability
- Complex customer environments
- Complex procurement decisions
- Sharing of project risks
- Focus on mission-critical systems

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Notes

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Groupe Bull
Integration Strengths

- 2,500 SI professionals
- New technology focus
  - Secure networks
  - Image processing
- Worldwide development network
- Base of European SI projects

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Notes

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Groupe Bull—Role of the Systems Integration Group

- Provide strategic direction to SIUs
- Develop operating policies
- Support affiliates
- Develop internal skills

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Groupe Bull—Role of the Systems Integration Group

- Coordinate and build teams
- Establish worldwide partnerships
- Manage large multinational contracts

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Typical Groupe Bull Partnerships

Country	Partner Firm
U.K.	Logica, British Telecom, SD-Scicon
France	Andersen Consulting CAP Gemini Sogeti Sema

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Notes

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Typical Groupe Bull SI Projects

Client	Project
Ansaldo (I)	Plant automation
DSS (U.K.)	OSI network
Post Office (F)	Workstation network for financial services

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Systems Integration, Western Europe

Management and IT Consultancy Congruence

- Andersen Consulting
- Meritus
- CGS/United Research
- CSC/Index Group

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Systems Integration, Europe

Vendor Targeting

- Major organizations
- Industries undergoing radical change
- Companies with highly distributed operations

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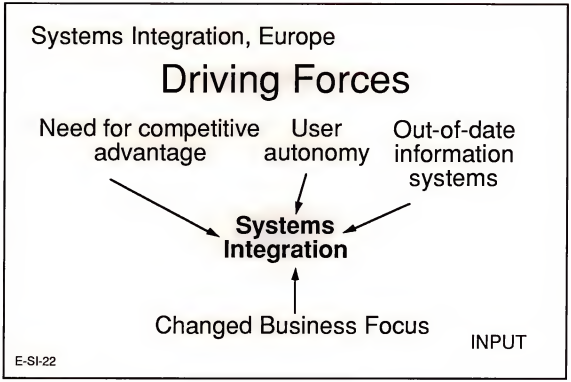

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Systems Integration, Western Europe

Market Forecast

Country	1990	1991	CAGR (%)	1995
France	560	715	27	1,830
Germany	610	775	26	1,930
U.K.	625	770	23	1,770
Italy	230	300	27	760

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Systems Integration, Western Europe

Why Projects Fail: User Perceptions

- Inadequate user involvement
- User unable to manage vendor
- Specifications unclear
- Vendor "knows best"

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Systems Integration, Western Europe

The Principal Risks

- Customer requirements unclear
- Pricing
- Partners' commitment and performance
- Resource exposure

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Systems Integration, Western Europe

Strengths and Weaknesses of Major Equipment Vendors

Strengths	Weaknesses
Stability	Business consultancy skills
High-calibre	Lack of proven personnel track record

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Notes

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Systems Integration, Western Europe

Strengths and Weaknesses of Major Equipment Vendors

Strengths	Weaknesses
Account management	Lack of independence
	Lack of development expertise/resources

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Notes

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Systems Integration, Western Europe

Strengths and Weaknesses of Professional Services Vendors

Strengths	Weaknesses
Relationship with IS management	Business consultancy skills
Project management skills	Perceived technical orientation

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Systems Integration, Western Europe

Strengths and Weaknesses of Professional Services Vendors

Strengths	Weaknesses
Implementation/ technical skills	Lack of access to user top management

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Notes

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Systems Integration, Western Europe

Key Driving Forces: Vendor Perception

Factor	Level of Imp.
Lack of in-house technical capability	Very High
Lack of in-house IS resources	High

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Systems Integration, Western Europe

Key Driving Forces: Vendor Perception

Factor	Level of Imp.
Migration to open systems	Medium-High
Need to link heterogeneous equipment	Medium-High

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Systems Integration, Europe

Factors in Vendor Selection

Nature of Project	Key Factors
Systems integration	End-user selection
	Top management influence
	Audits/studies

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Notes

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Systems Integration, Europe

Factors in Vendor Selection

Nature of Project	Key Factors
Professional services	Experience of vendor
	Detailed evaluation of capabilities
	Location

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Systems Integration, Europe

Strategic Trends

- Business consulting
- Formation of long-term consortia
- Importance of product branding
- Open systems as competitive weapon
- Need for key partners

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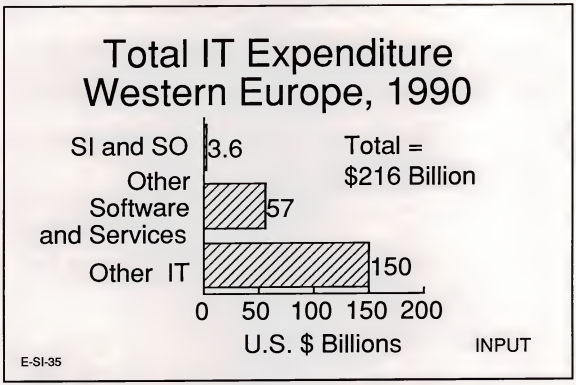

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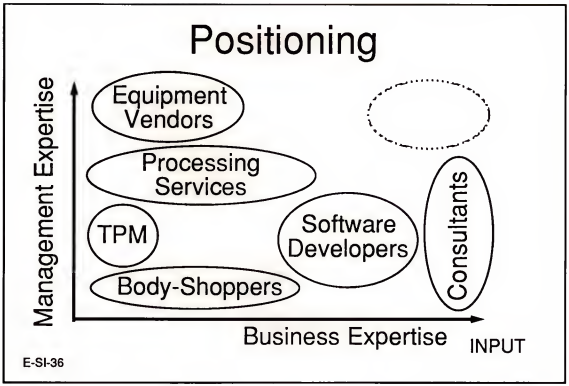

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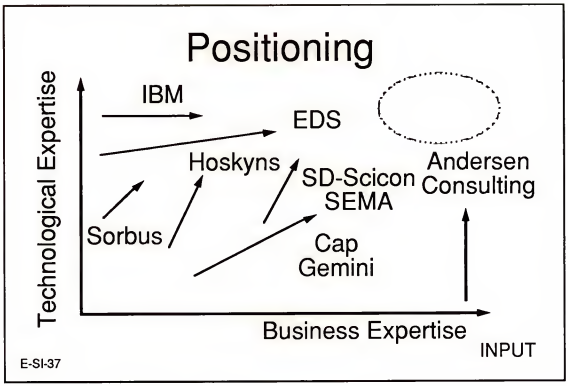

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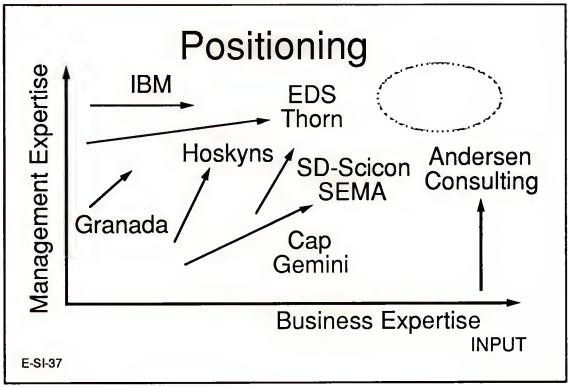

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The European Systems Integration Market

Panorama of Opportunities

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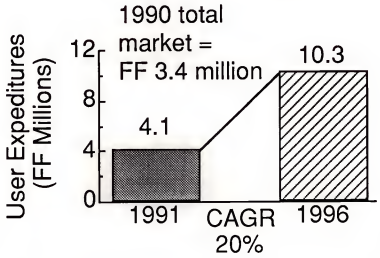
Systems Integration

French Market



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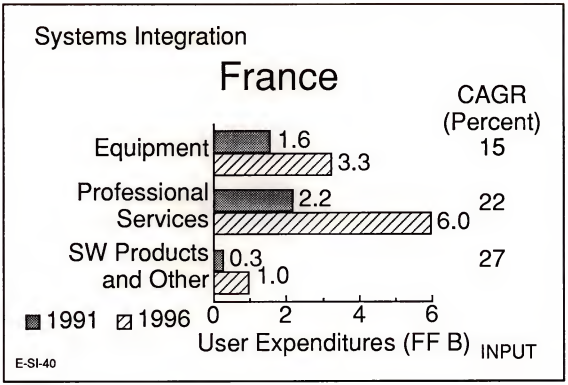

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CAP Gemini Sogeti

Heritage	Professional services
Focus	Alliances, management consultancy
Strengths	European coverage, financial strength
Direction	Global responsibility contracts

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Sema Group

Heritage	Professional services
Focus	Large accounts, industry sectors
Strengths	Professional services, defence-related business, consultancy
Direction	Project driven

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Notes

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Logica

Heritage	Professional services
Focus	Int'l opportunities
Strengths	Telecommunications, technical expertise
Direction	Alliances and subcontracting

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Notes

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EDS/SD-Scicon

Heritage	Acquisitions
Focus	Turn-round situation, large companies
Strengths	Tech. competence, maj. resources, defence sys.
Direction	Technology-based services and execution

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Notes

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Systems Integration

Major Countries

User Expenditures ($M)

	1991	CAGR (%)	1996
France	735	20	1800
United Kingdom	880	15	1800
Germany	790	21	2100
Italy	290	22	800

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Notes

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Siemens Nixdorf

Heritage	Electrical electronics engineering
Focus	Systems integration, open systems
Strengths	Size and financial stability
Direction	Address entire span of computer system needs

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Notes

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IBM

Heritage	Dominant equipment vendor
Focus	Extends across entire market
Strengths	Reputation, size, marketing control
Direction	Higher level value-added services and proprietary systems

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Notes

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Olivetti

Heritage	Office equipment manufacturing
Focus	Personal computers, open systems
Strengths	Reputation, product range
Direction	Network support, services

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Andersen Consulting

Heritage	Big Six, professional services
Focus	High value-added business solutions
Strengths	High-level image, business and IT skills
Direction	Business operations

INPUT

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Notes

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Bull

Heritage	Full-range equipment manufacturer
Focus	Distributed systems, downsizing
Strengths	Installed base, market presence
Direction	Alliances, systems integration

INPUT

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ICL

Heritage	Equipment manufacturer
Focus	Systems integration, value-added services
Strengths	Fujitsu, U.K. base, open systems
Direction	Support services, acquisitions

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Systems Integration Market Forecast

1991-1996—United Kingdom

Subsector	1990 ($M)	1991 ($M)	91-96 CAGR	1996 ($M)
Systems equip.	145	155	13%	280
Professional svcs.	215	255	16%	540
Software products	25	30	20%	75
Other services	10	12	8%	18
Total	395	450	15%	915

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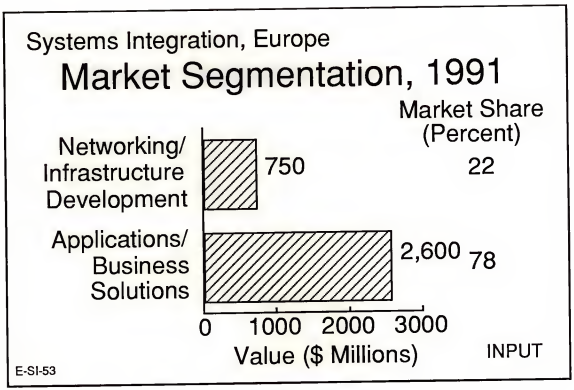

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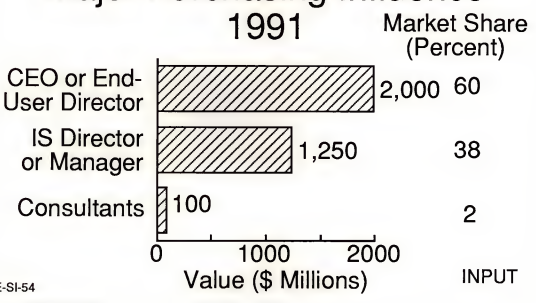
Systems Integration, Europe

Major Purchasing Influence

1991



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Systems Integration, Western Europe

Buying Process

- Led by senior director or senior management committee
- IS management has low level of influence in choice of vendor
- Projects often spin-offs from audits/studies

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Systems Integration, Western Europe

Reasons for Using External Vendors

- Peak workloads
- Skill shortfall
- Assistance in vendor selection
- End user decision

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Disadvantages of Buying In IT Chief Executive Perspective

- Cost
- Continuity/ongoing support
- Loss of ownership and control
- Loss of in-house expertise

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Systems Integration, Europe

Vendor Selection Criteria

- Strategic advice capability
- Industry knowledge
- Ability to offer applications software product approach
- Experience/suitability of consultants

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Systems Integration, Western Europe

Advisory Roles of Consultancies

- Business specifications
- Vendor selection and monitoring
- IS strategy development

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Systems Integration, Western Europe

User Satisfaction Levels

Name of Project	Degree of Satisfaction
Systems Integration	Low - medium
Professional Services and Turnkey Systems	High

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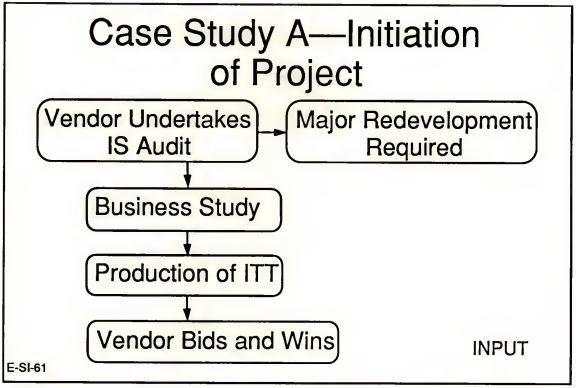

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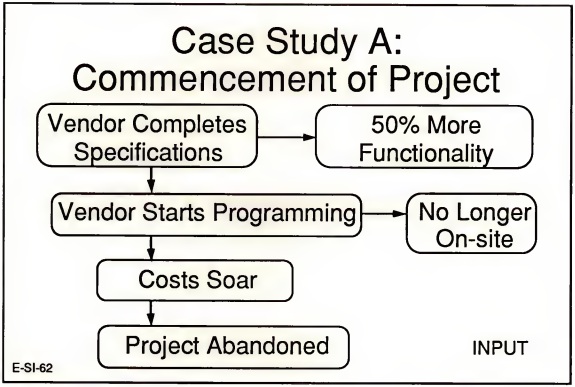

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Case Study A: The Issues

- Vendors cannot police themselves
- User management must control functionality
- Close links between users and vendor personnel
- Technology transfer

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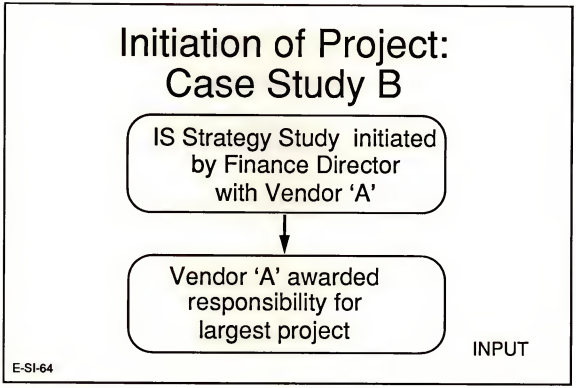
Initiation of Project:
Case Study B
IS Strategy Study initiated by Finance Director with Vendor 'A'
Vendor 'A' awarded responsibility for largest project
INPUT
E-SI-64

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Critical Success Factors: Case Study B

- Vendor must be strongly managed
- Limit vendor's involvement
- Avoid junior personnel
- Monitor vendor constantly

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Case Study B

User Likes	User Dislikes
Good project management	Need to maintain pressure on vendor
Kept project rolling in difficult circumstances	Need to constantly monitor vendor
Disciplined approach	
Industry knowledge	

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Systems Integration, Western Europe

Characteristics of Unsuccessful Projects

- Vendor has direct interface to end user
- High levels of commercial uncertainty
- Lack of adequate change management

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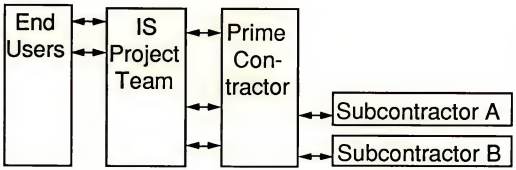
Systems Integration, Western Europe

Project Organization



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Systems Integration, Western Europe

Characteristics of Successful Projects

- End user responsible for delivering business benefits
- In-house IS department manages end user/vendor interface

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Systems Integration, Western Europe

Characteristics of Successful Projects

- Constant monitoring of prime contractor
- Interface at all levels of the organisation

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SI Market—Europe

Subsector	$ Billions 1991	'91-'96 CAGR (%)	1996
Equipment	1.3	15	2.6
Applications SW	0.1	27	0.4
Sys. Software	0.1	21	0.2
Services	1.8	21	4.6

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E-SI-70

Notes

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Major Purchasing Influence SI, Europe 1991

Major Influence	Share of Market (Percent)
CEO or End User Director	60
IS Director or Manager	38
Consultants	2

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Vendor Selection Criteria—SI

- Strategic advice capability
- Industry knowledge
- Ability to offer applications software product approach
- Experience/suitability of consultants

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SI Success Factors

- User responsible for delivering business benefits
- IS department manages user/vendor interface
- Constant monitoring of prime contractor
- Interfaces at all levels

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SI Failure Factors

- Vendor has direct interface to end user
- High levels of commercial uncertainty
- Lack of adequate change management

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Systems Integration Market Trends

- Downsizing
  - Projects
  - Timescales
- Faster payback
- Risk management improving
- Embraced by equipment vendors

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Evolution of the Systems Integration Market

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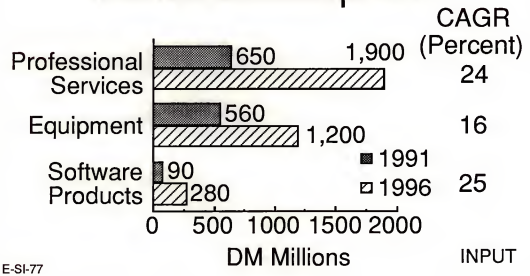
Systems Integration, Germany

Market Development



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Systems Integration, Europe

Types of Agreement

One-off Project

↓

Heads of Agreement

↓

Equity Participation

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Systems Integration, Europe

Vendor Challenges

- Access to key decision makers
- Developing consultative approach
- Managing organizational changes
- Building key partnerships
- Strengthening industry knowledge

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Vendor Strategies in the Systems Integration Market

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Systems Integration, Europe

Leading Vendors, 1990

Vendor	Revenues ($M)
CGS	330
IBM	320
Andersen	300
SNI	110
Logica	90

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Systems Integration, Germany

Leading Vendors, 1990

Vendor	Revenues (DM)
SNI	130
IBM	120
Andersen	65
CGS	40
Unisys	30

INPUT

E-SI-82

Notes

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Andersen Consulting

Focus	Business process Re-engineering
Strengths	Business credibility Development methodology Advanced technology
Direction	Business operations

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Notes

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Andersen Consulting: Service Lines

- Systems management
- Systems integration
- Strategic services
- Change management services

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Notes

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Cap Gemini Sogeti

Focus	European domination
Strengths	Geographic coverage Partnership approach
Direction	Developing consultancy capabilities

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Notes

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Gemini Consulting

- MAC Group - strategy
- United Research - change management
- Gamma International - organisation and information systems

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Notes

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Bull

Focus	Distributed systems, downsizing
Strengths	Public sector Network integration
Direction	Alliances, systems integration

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Notes

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Unisys

Focus	Transaction-intensive industries
Strengths	Network integration Financial sector Open systems
Direction	Open systems

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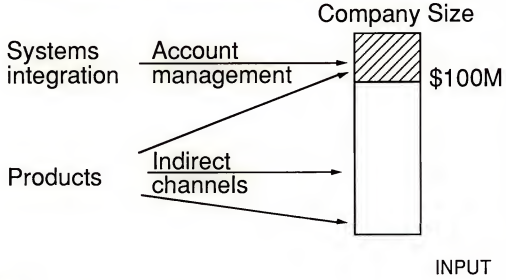
Digital: Business Strategy



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Notes

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Systems Integration, Europe

Management Consultancies

Strengths	Weaknesses
High-calibre personnel	Expensive
Credibility with user top management	Sometimes overrun cost and timescales
Business consultancy skills	Looking for repeat business

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E-SI-90

Notes

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Systems Integration, Europe

Major Equipment Vendors

Strengths	Weaknesses
Stability	Business consultancy skills
High-calibre personnel	Lack of proven track record
Account management	Lack of independence Lack of development expertise/resources

INPUT

E-SI-91

Notes

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Systems Integration, Europe

Professional Services Vendors

Strengths	Weaknesses
Relationship with IS management	Business consultancy skills
Project mgmt. skills	Perceived tech. orientation
Implementation/ technical skills	Lack of access to user top management

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Notes

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Systems Integration, Europe

Key Players in Buying Process

Player \ Vendor type	Equip. Vendors	Prof. Serv. Vendors	Mgmt. Consult.
Client board-level personnel	High	Med.	Very High
Head of IS	High	V. High	Med.
Client middle mgmt.	Low	High	Med.

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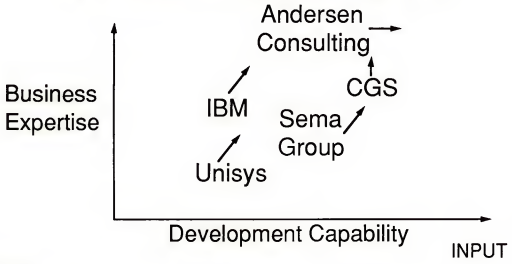
Systems Integration, Europe

Vendor Positioning (4)



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Notes

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Changing Role of IS Department/Downsizing, Europe

- Developing closer relationships with user departments
- Greater decentralization
- More emphasis on business/systems analysis
- Less emphasis on systems development

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Notes

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Systems Integration, Europe

Major Purchasing Influence, 1991

Major Purchasing Influence	Share of Total Mkt. (%)	Value ($ M)
IS director or managers	40	1,400
CEO or end user management	60	2,100
Total	100	3,500

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E-SI-100

Notes

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Systems Integration, Europe

Market Segmentation, 1991

Market Segment	Share of Total Mkt. (%)	Value ($ M)
Networking/infrastructure development	26	900
Application/business solutions	74	2,600
Total	100	3,500

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Notes

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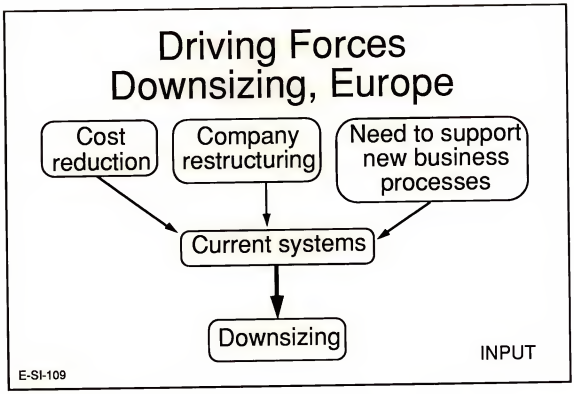

Notes

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SI Projects by Equipment Type—Europe, 1991

Equipment Type	% of Contracts	Value ($ M)
Mainframe	28	1,000
Proprietary midrange	15	500
UNIX-based midrange	35	1,200
PC or PC/LAN	22	800
Total	100	3,500

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Notes

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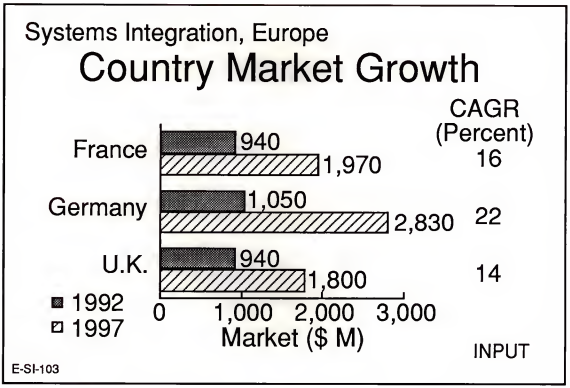

Notes

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Impact of Downsizing on IS Budgets

Service Component	Expenditure Trend
Equipment	Large decrease
In-house IS personnel	Large decrease
Consulting services	Increasing

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Notes

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Impact of Downsizing on IS Budgets

Service Component	Expenditure Trend
External custom SW development	Small increase
Application SW products	Large increase
Network integration	Increasing

INPUT

E-SI-111b

Notes

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Mainframe Downsizing, Europe

Target Architectures

Architecture	Percentage	Trend
IBM AS/400	40	Decreasing
UNIX-based	35	Increasing
Other proprietary	25	Decreasing rapidly

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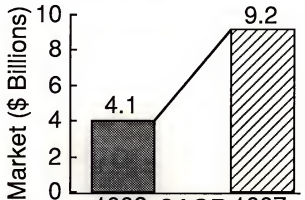
Systems Integration Market—Europe, 1992-1997



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Notes

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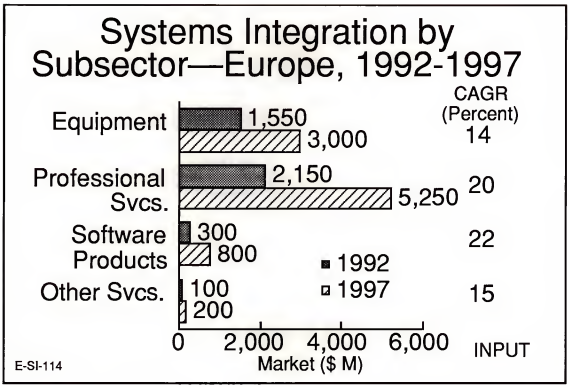

Notes

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Who Drives Downsizing?

Personnel	Degree of Influence
CEO	Medium
Finance director	High
IT director/DPM	Low

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Notes

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Case Study 1
Impact on IS Systems

- Phase 1—Replacement of commercial and financial systems
- Phase 2—Complete computer-integrated processing
- Current emphasis—Cost reduction and customer service

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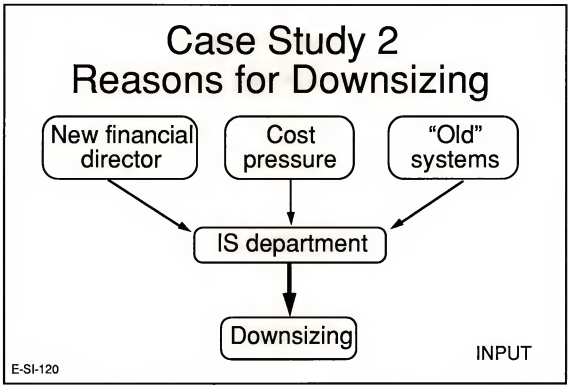

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Changing Role of End Users

- Acquiring control of IS strategy
- A major force in applications software product selection
- Taking over the IS budget

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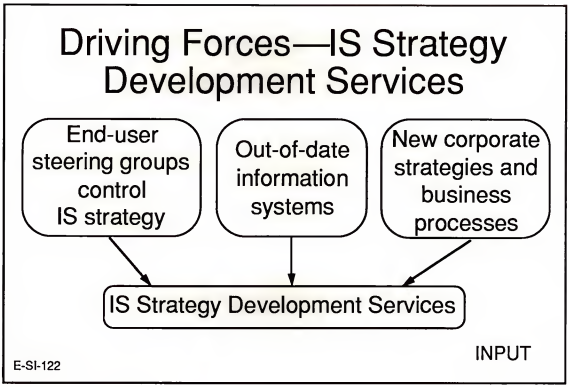

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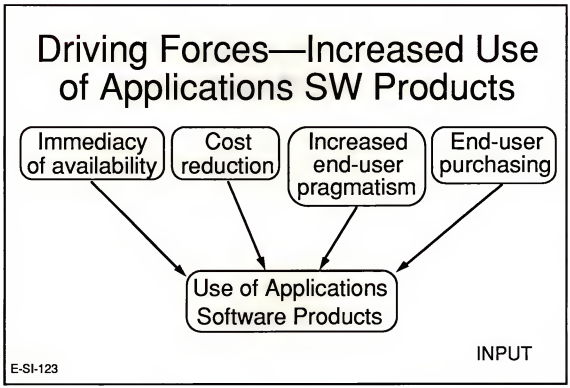

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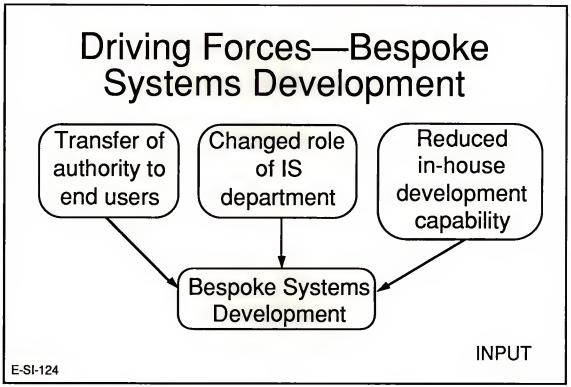

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What is Business Process Re-engineering?

A means of achieving radical improvements in business performance and competitiveness through a re-evaluation and redesign of core business processes.

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Image of IS Department

"A group of expensive technical staff who do not relate well to the business needs of the organisation"

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Skills Required for Business Process Re-engineering

- Psychology of seeking continuous improvement and service
- Seeking of projects which lead to step change in organisation's effectiveness

Source: Andersen Consulting

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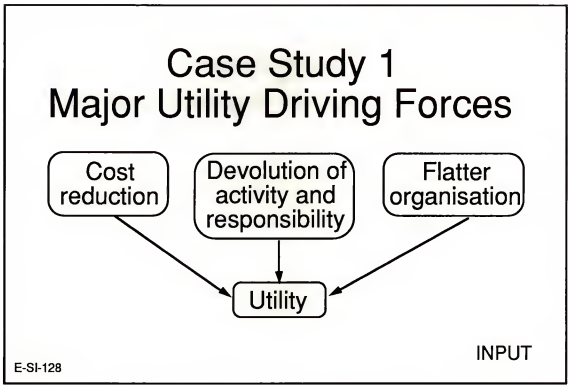

Notes

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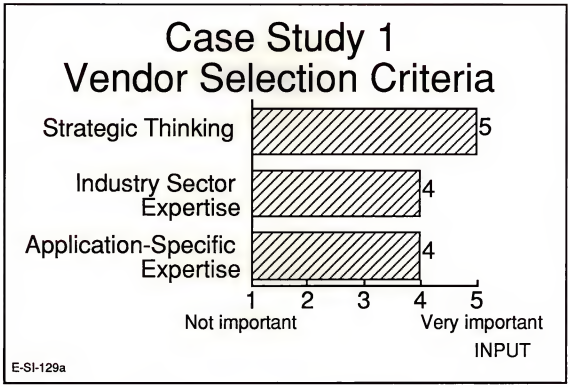

Notes

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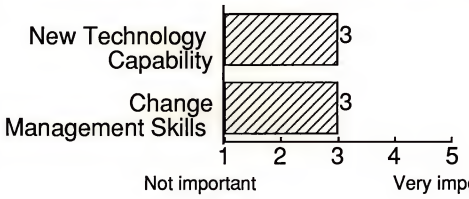
Case Study 1
Vendor Selection Criteria



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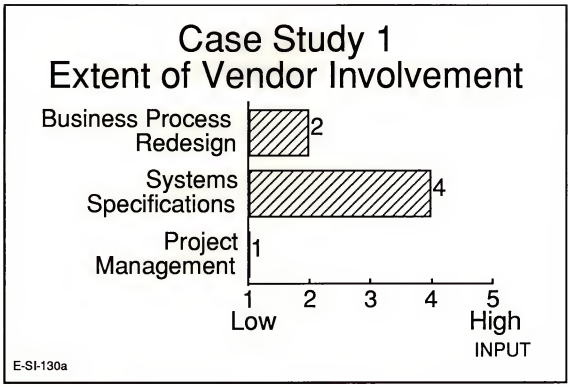

Notes

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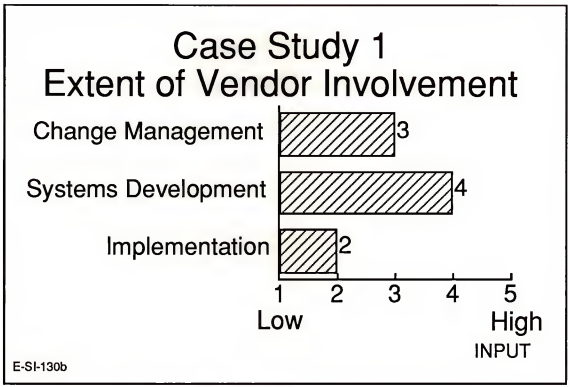

Notes

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Case Study 2—Reinshagen

- Benchmarking—to pinpoint areas for improvement
- Cross-functional impact analysis
- Activity-based costing to understand overheads

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Cap Gemini Sogeti

- Developing international account liaison
- Forging closer links with Gemini Consulting
- Board-level transnational approach

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Notes

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Digital—Consulting Revenue Growth

Market Sector	Growth Expectations
IS consulting	Very High
Strategy consulting	Medium - High
Process re-engineering	Medium - High
HR consulting	Medium

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Digital—Business Process Re-engineering Contracts

Client	Aim of Project
GEC Express Lifts	Significant competitive advantage over main competitor
Barnge Nationale de Paris	Customer service improvement and cost reductions

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Notes

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Coopers & Lybrand BreakPoint BPR

- Core process definition
- BreakPoint identification
- Process re-design
- Change management

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Impact of Downsizing on Systems Integration Market

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Business Process Re-engineering

Myth or Reality?

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The Battle for the High Ground

Systems Integration, Europe

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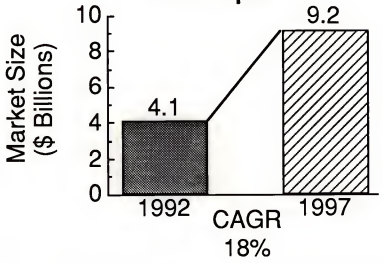
Systems Integration Market Europe



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Notes

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Systems Integration Projects by Equipment Type, Europe

Equipment Type	1991 Value ($M)	1997 Value ($M)	CAGR '91-'97
Mainframe	1,000	1,850	11
Proprietary Mid-Range	500	900	10

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Notes

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Systems Integration Projects by Equipment Type, Europe

Equipment Type	1991 Value ($M)	1997 Value ($M)	CAGR '91-'97
UNIX-Based Mid-Range	1,200	3,700	21
PC or PC/LAN	800	2,800	23
Total	3,500	9,250	18

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Notes

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Leading Vendors, 1991
Systems Integration, Europe

Company	Rev. ($M)
IBM	600
CAP Gemini Sogeti	375
Andersen Consulting	350
Digital	200
Sema Group	140

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Notes

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Major Trends
Systems Integration, Europe

- Growth in importance of end-user management
- Network integration opportunities increase
- Open systems account for majority of projects

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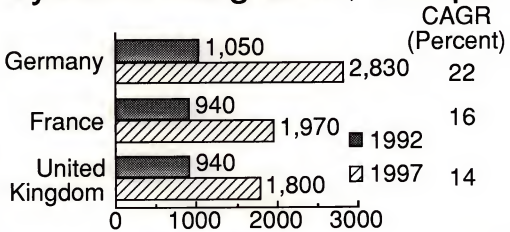
Country Market Growth Systems Integration, Europe



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Notes

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Major Purchasing Influence, 1991 Systems Integration, Europe

Major Purchasing Influence	Share of Total Market (%)	Value ($M)
IS Director or Mgrs.	40	1,400
CEO or End-User Management	60	2,100
Total	100	3,500

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Notes

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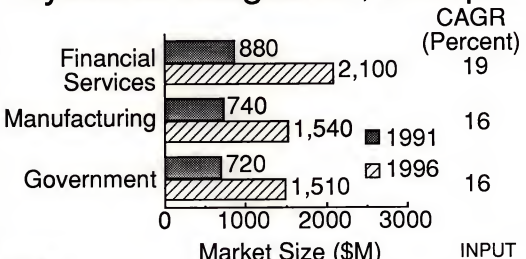
Industry Sector Growth
Systems Integration, Europe



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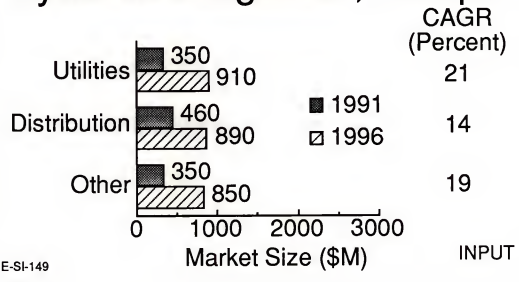
Industry Sector Growth
Systems Integration, Europe



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Evolution of the Systems Integration Market

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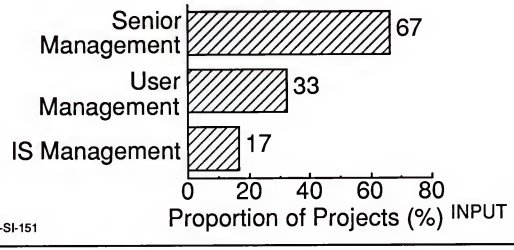
Systems Integration

Identifier of Major Projects
France



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Systems Integration

Characteristics Required of Vendors

- Relevant skills/software
- Financial strength to absorb risk
- Prior experience of similar projects
- Responsiveness

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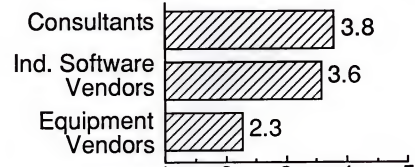
Systems Integration

Ability to Manage Large Projects User Perspective, France



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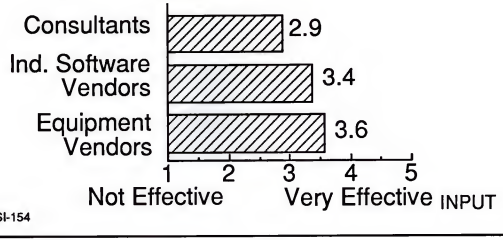
Systems Integration

Ability to Manage Projects User Perspective, U.K.



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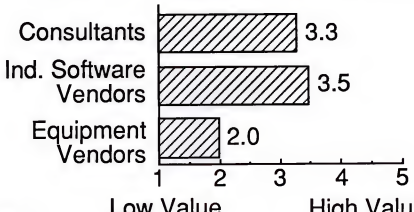
Systems Integration

Value for Money—Projects User Perspective, France



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Systems Integration

Market Segmentation, 1992 Europe

	Share of Total Market (%)	Value ($B)
Networking/Infrastructure Development	27	1.10
Appl./Business Solutions	73	2.97
Total	100	4.07

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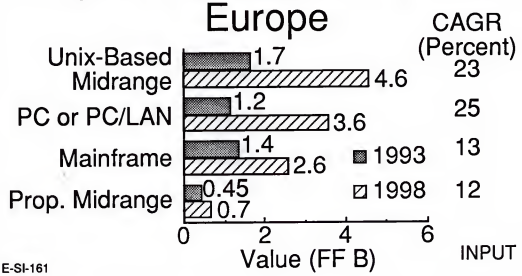
Systems Integration

Projects by Equipment Type
Europe



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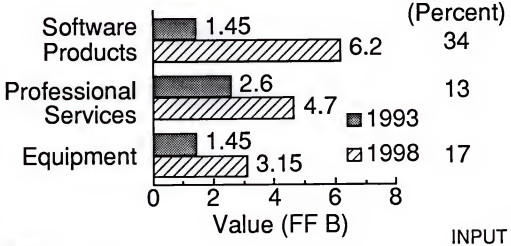
Systems Integration

Market, France



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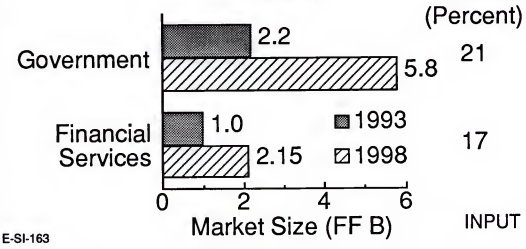
Systems Integration

Industry Sector Forecast
France



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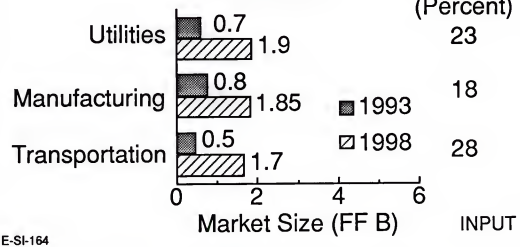
Systems Integration

Industry Sector Forecast
France



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Notes

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Systems Integration

Leading Vendors, France

Company	1992 Est. Rev. (FF B)
Cap Gemini Sogeti	1.00
IBM	0.75
Sema Group	0.35
Andersen Consulting	0.35
EDS-GFI	0.25

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